WATERWAYS AND INLAND SEAPORTS

By

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INTRODUCTION

The interest in inland and coastwise water transportation that has developed in the past five years, during which time the Government has been operating a barge line upon the Mississippi River, the coastal waters of Louisiana and Alabama, and the Warrior River, the numerous inquiries, the mass of inaccurate and misleading statements that have been put forth, the almost peremptory demands of the friends of inland waterway transportation to have the question discussed fully and fairly, and their designation of me as the one to make such a statement led me to accept the invitation of the Chicago News to prepare the following series of articles. The effort has been to present the case fairly and to emphasize the need of coordination and cooperation of rail, water, and highway transportation.

Whether or not this has been done, the reader may judge.

The following editorials from the Chicago News are appended:

WATERWAYS IN NATIONAL PROGRESS

Despite the earnest pleas of two Chief Executives, Congress has done nothing in the last seven years toward the promotion of mutually beneficial cooperation between the railroads of the country and waterways already in existence or capable of development. That cooperation is bound to come sometime, despite present short-sighted policies, and equally certain, as Secretary Hoover has said emphatically, is the construction of the proposed Lakes to Gulf waterway and the St. Lawrence seaway.

Waterway development, not in wasteful opposition to the railroads, but in intelligent and helpful conjunction with them, presents a question as vital and pressing as any the people of the United States, who complain of high freight rates and insufficient markets, are called upon to settle. In dealing with it science and experience, not prejudice or fixed ideas, should be consulted and followed.

Unfortunately there is little knowledge among lawmakers of the potentialities of waterway development. Too often the inveterate opponents of waterways make sweeping statements against the most rational river and canal improvement projects. Their bold assertions, made with an air of absolute confidence, not infrequently mislead the public.

The greatest need in the discussion of the waterway problem is for facts. Realizing that, The Daily News has asked Brig. Gen. T. Q. Ashburn, chairman of the Inland Waterways Corporation of the United States, for a series of articles on waterways generally and barge traffic in particular. The first of these articles was published yesterday. Others will follow.

General Ashburn is regarded in business circles as the best informed man in the country on inland water-borne commerce, and Congress has almost invaribly approved his recommendations concerning river and harbor improvements and canalization enterprises. He does not indulge in vague generalities; he illustrates his propositions in a concrete and convincing manner. His articles are both attractive and informative.

LESSONS OF THE MISSISSIPPI BARGE LINE

In the series of improving articles on waterways and inland seaports which Brigadier General Ashburn is contributing to The Daily News, general propositions concerning water transportation in conjunction with land carriers are

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illustrated by concrete facts and figures supplied by the Mississippi barge line, which is operated by a governmental agency under the direction of the War Department. The articles have answered many questions frequently asked by shippers and by students of transportation, and have met various objections to waterway development advanced by short-sighted railroad executives.

General Ashburn is satisfied that the barge line can establish itself on a paying basis and be turned over eventually to a private corporation on terms fair to the Government and the taxpayers. He has no doubt that a permanent 6 per cent return on the total postwar investment by the Government will be possible. He points out that, in addition to this benefit, the barge line will have demonstrated the feasibility and economy of water transportation under efficient management.

The barge line has had to overcome many difficulties, and to appeal to the Interstate Commerce Commission for rulings in its controversies with railroads over joint rates. Some carriers have cooperated with it on fair terms, while others have been reluctant to do so. Little by little, however, obstacles have been removed, and the barge line, with its present facilities, can carry 1,000,000 tons of freight a year at a saving of about $1,350,000 to the shippers and the public. If the fleet were properly balanced, the tonnage could be doubled. So could the saving.

The barge line deals with scores of railroads, and asks nothing of them but a fair deal in the fixing of their shares of the joint rates. It is not taking freight away from the railroads to their detriment; it is bringing them new business by promoting industry and commerce, and by lowering transportation charges. It is furnishing an object lesson to Congress, to the States interested in waterway projects, and to intelligent, forward-looking corporations seeking opportunities for investment.

On the other hand, the Traffic World, in a biting editorial, accuses me of bad logic and loose statements, and such well might be said if the statements to which exceptions were made—the logic that was attacked—had been mine.

As a matter of fact, the sole portion of these articles attacked was an excerpt from a speech delivered by the Hon. Benjamin G. Humphreys in January, 1921, on the floor of Congress, under decidedly different conditions from the present. It was inserted to illustrate the conditions which existed at that time and the line of argument of the proponents of waterways as to why such conditions did exist and should be changed.

In a letter to the editor of the Traffic World I stated that if his concluding paragraph had been modified by the substitution of the word "transportation" for "inland waterways" he had so succinctly stated the viewpoint of the writer as to be susceptible to the charge of plagiarism. His concluding paragraph was as follows:

> We have no quarrel with advocates of inland waterway [substitute the word "transportation"] expansion, as long as they stay within the facts and do not use distorted logic. Indeed, there are many things to be said in favor of a reasonable policy of inland waterway development. But we insist that advocates of waterways consider the transportation problem as a whole and not from the narrow point of view of the advocate of this, that, or the other project, regardless of its bearing on the whole situation. One can not consider the problem as a whole without keeping in mind that the railroads will always have to be depended on to carry the bulk of the traffic in this country, and, in order to enable them to do this to the satisfaction of industry, they must be allowed to make some money out of their business. Waterways are all right as a supplemental transportation agency if they can be developed and used on a reasonable commercial basis. But when one talks of their value as a means of depressing rail rates, he shows that he has no comprehension of the greater transportation problem, and either no realization of the function of the Interstate Commerce Commission or no confidence in that body.

The collection of these articles and their printing in pamphlet form for easy and continuous reading follows the declared policy of Congress in section 500, transportation act, to wit:

It is hereby declared to be the policy of Congress to promote, encourage, and develop water transportation, service, and facilities in connection with the commerce of the United States and to foster and preserve in full vigor both rail and water transportation.

T. Q. A.

WATERWAYS AND INLAND SEAPORTS

I

NOAH ORIGINAL WATERWAY MAN

The original, ardent, dyed-in-the-wool advocate of water transportation was Noah; the prototype of the modern barge was the ark, and the first satisfactory terminal was Mount Ararat.

Noah was a common carrier; he advertised that he would sail at a certain date and carry certain commodities, and he did. Like his descendants who advocate the full utilization of water as a means of transport as a necessity, he was sneered at, opposed, and accused of being a one-ideaed man; in other words, a nut.

From the time he laid the keel of the ark till the time when the floodgates of heaven were opened and the rains descended and the floods came he was surrounded by wise men who counseled him: "See here, Noah, old top, you're never going to need this thing, even if it does float on the water (and we don't think it will), how are you going to steer it, and where are you going? Haven't we got our legs and our beasts of burden as means of transportation? What was good enough for our fathers is good enough for us. Stop spending your good simoleons and wasting your time over something which, at the best, is only an experiment and will never be needed anyhow! Take our advice, old man, and quit while the quitting is good!"

MOUNT ARARAT FIRST SEAPORT

But old Noah kept hammering away. He didn't know where he was going, but he did know there was going to be need of water transportation—and he was right. A more unlikely seaport than Mount Ararat would be hard to imagine, and yet it did become, so far as history records, the first and most successful seaport in the world.

From that time to this, a lapse of thousands of years, every man who throws himself whole-heartedly in the struggle for inland and coastwise waterways transportation meets the same objections and criticisms that old Noah met; but they have continued as determinedly as the old man, and time and experience are dumbfounding their critics, even as Noah did when his ark, with its precious burden of freight, rose upon the crest of the waters and saved the faithful few of those days who believed in water transportation.

EXPANSION OF CIVILIZATION AND TRANSPORTATION

The expansion of civilization is coincident with the expansion of transportation. Wherever civilization may have first appeared, it spread solely through contact with the outside world; and only as

fast as such contact could be made. First such contact was made by means of the legs of the human being, then through the animals he trained to transport him; then through the slow-running vehicle, developing into the railroad trains, the automobile, and the airplanes of to-day.

The log that drifted downstream, the sluggish flat-bottom raft propelled by poles, developed into the ocean racers and the marvelous towboats of to-day.

In its ultimate analysis, all communication between individuals, between communities, between states and nations, is some form of transportation. Speech is the transportation of sound through the air—the telephone, the telegraph, the wireless, the heliograph, all depend upon the transportation of sound or signals—and so, as civilization expanded, its onward course was marked and limited by the development of transportation.

With the growth of civilization began the growth of trade and commerce. As these took the form of water carriage and venturesome voyages, the necessity for agreements between neighboring sea cities became apparent—harbors and lighthouses must be constructed for the safety of trade—and so began that slow growth of mutual agreement, mutual accommodation, which is to-day the basis of so much international law as exists.

NECESSITY DEVELOPS TRANSPORTATION

Transportation brings from one end of the world to the other the products of nature and of men, and as the necessity of these products, be they raw or manufactured, grows, so must transportation facilities advance.

Civilization brings in its train the demand for necessities, comforts, and luxuries, in the order named. Nature has ordained that the raw material needed in the manufacture and production of necessities, comfort, and luxuries should grow in widely separated portions of the globe. Certain kinds of grain, rice, sugar cane, etc., grow only in certain localities; various kinds of ores are produced at one place and turned into steel, iron, etc., at another place. The silks of China and Japan are as actual necessities to our women folks to-day as are the farming implements of America, the products of our great steel industries, our locomotives, all of our exports, to South America, Europe, Asia, Africa, and Australia.

Now the laws of economical production demand that great manufacturing centers shall be located where cheap raw material can be obtained, and where the cost of distribution of the manufactured article is cheapest. A combination of these two elements, where the raw material is an import, naturally suggests a seaport. If the distribution can also be made from that seaport, so much the better. The sea is a universal highway, and the cheapest means of transportation known is by the sea. The reason for this is self-evident.

Consequently, every inland city, located upon a navigable waterway, dreams of the time when it shall be an inland seaport, and if our navigable highways are developed as they should be, it will only be a matter of a few years till such cities as the twin cities of St. Paul and Minneapolis, Cincinnati, Pittsburgh, St. Louis, Kansas

City, Omaha, Montgomery, Albany, Cairo, Memphis, Birmingham, Vicksburg, and many others will be actually, if not geographically, seaports.

SHOES CITED AS AN EXAMPLE

One little example will illustrate what a tremendous advantage this would be:

Where are the great tanneries of this country located? In the East, near the seaboard, and in Chicago. Why are they located there? Because the tanned hides of our own country can be distributed from Chicago economically through the Great Lakes; and domestic raw hides can reach the eastern seaboard, via Duluth or Chicago; while the raw hides of South America can reach the eastern coast by sea. The greatest domestic demands for leather goods are, of course, in the center of population, densest in the East, and next dense around Chicago. Logically then, the center of the manufacture of leather must be near the seacoast, where the raw material can be economically collected, and the manufactured material economically distributed, or else in the north Mississippi Valley, in which Chicago is included. St. Louis is a large shoe manufacturing center. Where does the leather come from? The East! Who buys the shoes? Largely the inhabitants of the Mississippi Valley. If it is realized that when you buy a pair of shoes in St. Louis you are paying the freight on raw material that went to New England when it could have been shipped only to St. Louis, and that you are paying the freight on leather from New England that might have been produced in St. Louis; that the price you pay for shoes of St. Louis manufacture must be fixed by the manufacturer on a basis that will give him a fair profit over the cost of manufacture plus the freight of raw material both ways from New England; then you will know that the only reason the St. Louis manufacturer competes with the New England manufacturer in this particular commodity is because of the freight the New England manufacturer has to pay on his finished product to distribute it to St. Louis territory. It is a fact that the price at which you buy your shoes is fixed by something over which your manufacturer has no control; that is, transportation.

OPPORTUNITY FOR RIVER CITIES

The river cities of the Mississippi Valley have to-day in their grasp the same facilities as the seaports of New England.

To continue my illustration about the shoes, and confining it to St. Louis because it is a great shoe manufacturing center: Suppose there were great tanneries located there; hides from South America could be delivered there as cheaply as at New England, via ship to New Orleans and by barge line to St. Louis. They could be converted into leather, and the leather into shoes, and the shoes shipped to South America and sold as cheaply as they are now sold at St. Louis, because the necessary costs of transportation of the raw material and the distribution of the finished product have been cut in two, and the people of the Mississippi Valley would be getting their shoes and their harness and their other leather goods cheaper by the cost of transportation of 2,000 miles by rail. Your St. Louis shoe

manufacturer would then find a ready market for his product farther away from home, where his cost of manufacture, plus the transportation, would be less than the New England cost of manufacture plus his transportation.

You can take this particular example and apply it to any particular article of manufacture of your home city, and see how it works out. I recommend it as being worthy of a few moments concentration.

II

Now, what I have said about the cities along the Mississippi Valley being on a parity with seacoast towns is strictly true only in a limited sense.

COMMON, CONTRACT, AND PRIVATE CARRIERS

It is true in so far as the natural location and navigable waterway is concerned, but how far it is true depends entirely upon the transportation facilities which operate upon that navigable waterway as a common carrier. A common carrier is one who holds himself out for hire, carrying any and all commodities offered at rates available and published to the public. He differs from a contract carrier, who transports for a favored few at what rates he can get, or a privately operated carrier which transports its own commodities only. Of the three carriers the one of infinitely greater public benefit is the common carrier, the one which is obligated to take anybody's goods as offered. The United States has only one common carrier operating upon the Mississippi River, and that is the Government Barge Line. The law creating the Inland Waterways Corporation provides that this line shall be operated precisely as if it were privately owned, and is a demonstration intended to prove that water transportation is economical, feasible, and of immense public importance. Too many people are inclined to look upon it as an eleemosynary institution, and because it is operated by the Government to demand special privileges that no private transportation agency would give.

Let me assure you, my readers, that upon the success of this barge line operated by the Government as a private organization, depends your hopes of cheap water transportation, your seaport ambitions, and the consequent reduction in price of all necessary commodities.

THE UNITED STATES AS AN OPERATOR

The barge line is but in its infancy. It has had Government support because in no other way could waterway transportation survive the vicious onslaughts of its opponents. The Government has spent untold fortunes in the development of waterways under the theory that their development will bring about the desired results of cheap transportation, and plenty of it. If the war hadn't come along and forced water transportation back on the map, you wouldn't have any inland transportation on waterways of national importance. Conceived as a war measure, carried on as an experiment after the war, hampered by every conceivable opposition, an opposition that would have driven any private corporation out of business, it has demon-

strated that where there are navigable rivers or canals, where there are suitable and sufficient carriers, where there is a balanced traffic, where there are interchange relations with the railroads (which waterways merely supplement), and a fair division of revenue secured for joint performance of transportation, that water transportation is feasible, economical, and a necessity. As it develops so will the seaport advantages of inland cities become more and more real.

HOW RIVER CITIES MAY UTILIZE THEIR OPPORTUNITIES

These seaport advantages will become realized for all cities upon navigable streams if, when the aforementioned five essential conditions for success are fulfilled, the lines now operated by the Government pass into private or corporate control, and the money so received is applied to the creation of new transportation facilities upon other navigable streams. In this way the initial war expenditure of $13,000,000 can be utilized over and over to the great and increasing profit of all of our citizens. The advantage of governmental operation of waterways until they are commercially successful is apparent when it can be said without dispute that had not the Government carried on the Mississippi-Warrior service until practically all five essential conditions of success were fulfilled, no other organization would have attempted it and carried it to success, because the initial losses, delays, etc., were intolerable to an organization whose sole purpose was to realize a return upon an investment.

OBJECTIONABLE FEATURES OF GOVERNMENTAL OPERATION

But governmental operation of transportation facilities had three distinct and highly objectionable features, at least in so far as the operations up to June 3, 1924, were concerned.

A transportation agency, to gain public support, must offer some assurance of being durably established, of being dependable, as well as economical. Trade moves in well-established lanes, and in order to divert traffic to other lanes (even when the old lanes are thoroughly congested) the shipper must have assurance of service—good, continued, cheap service. So long as the maintenance of the barge line on the Mississippi, on the New Orleans-Mobile coastal route, on the Warrior River, depended upon the whim of Congress, so long there remained in the minds of the shipper four questions:

(*a*) How long will it be operated by the Government?

(*b*) Will the Government dispose of it, and how?

(*c*) If the Government disposes of it, will it be continued along the same lines?

(*d*) Is it good business policy for me to use this line until these conditions are ascertained?

The second objection to governmental operation was that so long as it lasted under the conditions which then existed, so long was political pressure brought to bear upon those responsible for its operation for discrimination in favor of individuals, communities, cities, etc., to the detriment of the people at large, and in violation of every principle of economic transportation.

BIG DRAWBACKS CITED

The third, and to my mind, the most objectionable feature of all was the inability to properly finance the undertaking in a thoroughly businesslike way.

To illustrate, the barge lines mentioned represent at to-day's valuation by the American Appraisal Co. of Milwaukee, about a $10,000,000 investment. The law, as I have said before, provided that the transportation facilities in commission should be operated precisely as if they were a private transportation agency. It also provided that no governmental organization should create a deficit. Every transportation agency has its ups and down. Some years the earnings are very good, and others are poor. But a transportation corporation is amply competent, under its charter, to finance the poor years, or else it becomes bankrupt.

If, however, the barge line on the Mississippi (which is the only profitable one, and which supports the Warrior and New Orleans-Mobile section) meets a long season of low water where navigation is wholly or partially suspended (as was the case for three months of every year), then the accumulated surplus rapidly disappears, the revenues fail; and when the available cash assets only equal the outstanding indebtedness, when a continued operation creates a deficit, those in charge of the operations were between the devil and the deep blue sea.

If Congress were in session, an appeal for funds might, of course, have been made to them to tide over the emergency. Let us assume, however, that through some political upheavel or through trading and bargaining the friends of waterways had become a minority; then the money was not forthcoming, and the operation ceased. What a ridiculous situation would have arisen! Here was a perfectly solvent transportation agency, worth $10,000,000, with available collectible cash assets, let us say, $10,000 less than its outstanding indebtedness. Due to temporary business depression it was not making enough to carry the continued losses of a branch line. It had, under the law, to operate that line. It could not create a deficit. If it had had the power to raise money on its own assets, to borrow, it could easily have borrowed from banks and paid the money back gradually, and the public would not have lost its confidence in the line because it could not pay its current obligations. Loss of public confidence results in incalculable harm.

And the further curious situation would have arisen that if the line had been compelled to discontinue its operations because it was incurring a deficit, the same rule would have held, and no one could have been employed to keep it in condition, else a deficit would still be created. It would have to be tied up to a bank or sold for a song.

I have, of course, in this last paragraph employed the reductio ad absurdum method to illustrate my point, which is that the lack of power to finance itself was a very serious proposition that the predecessor of this corporation ran up against in a very practical way in its effort to comply with the law which provided that these boats and barges and other transportation facilities should be so utilized as to maintain in full vigor both water and rail transportation.

III

This country of ours has passed through two stages of transportation, and is passing now through the third stage. We can roughly segregate them into the days of wagon and water transportation, the days of rail transportation, and the present days; where transportation demands include the utilization of every available means of transportation, rail, water, motor, and air, in order to meet the expanding needs of our interior commerce.

SOME CURIOUS RESULTS OF MODERN TRANSPORTATION

When I tell you that a large manufacturing concern of Alabama, which uses a certain kind of ore in its manufactures, and owns its own mines of this ore in the State of Alabama, can yet get this same ore from Sweden, transport it by sea to Mobile, thence by our Warrior line to Tuscaloosa, Ala., and deliver it at its plant cheaper than it can produce its own ore at its own mines, and transport it by rail to its manufactory, it will be brought home to you that there is something radically wrong in the present situation.

And when I supplement this by telling you that the Aluminum Ore Co., located at East St. Louis, and owning its own bauxite mines in Arizona, can, by operating its own ships from its own mines in the Guianas of South America, and utilizing the Mississippi service from New Orleans to St. Louis (paying the barge line $3 per ton for its transportation), and does do it more cheaply than it can deliver at St. Louis bauxite from its Arizona mines, you will be perhaps convinced that there is vast benefit to be derived from the utilization of waterways; and please note that this particular operation affects your household personally in the price of every article of aluminum ware that is used therein.

As offsetting the disadvantage of the Alabama firm in its competition with Swedish products, it is interesting to note that this same aluminum company of East St. Louis turns part of its bauxite, received as above described, into concentrates, ships the same to Sweden by barge line and ocean steamer, and sells it in Sweden cheaper than Sweden can produce the same concentrates; all on account of cheap water transportation!

WATERWAYS NOT INDEPENDENT

Water transportation has inherent advantages and inherent disadvantages. I shall try to point these out in detail in the course of these articles. I noticed in a recent letter published by one of our foremost railroad presidents, that he contends that if all available waterways in the United States were utilized, the sum total of freight so transported would not make a big dent in the sum total carried by the railroads. I am not sure, but I think he excepted lake traffic. I presume that the underlying idea in his mind was the fact that railways can operate independently as common carriers, regardless of the waterways, while common carriers by water can not exist independently of railroads, nor do they so seek to do.

REASONS FOR RAILWAY OPPOSITION

The fact is that since inland-waterway traffic was driven from our navigable streams and canals by the sheer force of the establishment of the steam engine, most railroad men have in the back of their heads the idea that the utilization of our waterways for transportation purposes forms a menace to the success of railroads, and, since they have been destroyed, he feels that they should be kept from springing to life, phœnixlike, by every means in his power.

There is a reason for this, and it is not far to seek. Advocates of waterways, for years after transportation facilities had been driven from them, persisted in their further development, not in the hope of utilizing them as actual carriers, but as a means of clubbing the railroads into submission.

By the very force of their arguments and clubbing and in self-protection, the railroads did what they are now so vigorously assailed for doing; that is, introduced the practice of charging less for a long haul than for a shorter.

The present structure of rail rates throughout the United States has been formed of necessity through various exigencies which arose at sundry times, and whole communities have been built up on the basis of such rates, so that it necessarily follows that any radical readjustment of rail rates—so frequently suggested to the Interstate Commerce Commission—would result in wholesale hardship.

HOW PRESENT CONDITIONS AROSE

These two things—that is, the destruction of water transportation and the building up of the present structure of rail rates—are so correlated that in fairness to all concerned they should be considered together, and in so considering them there should be traced the underlying causes, if possible, as to why the present status exists in regard to transportation; and then to present logical reasons why the present intolerable situation should be modified.

The transportation problems of the original thirteen Colonies were vastly different from the present-day problems of the United States. Sparsely populated, strung along the seacoast, dependent to a large extent upon supplies from overseas, the necessities of interior transportation were largely confined to communication and marketing of agricultural products in the larger towns. Such transfer of commodities as took place between the States was done by sailboats. The first crying necessity of interior transportation was met by the building of roads, and it is worthy of note that the cry of today that is being met by States and the United States is for more and better roads. Allow me to interject here that it is far cheaper to utilize waterways as means of transportation, where available, than it is to construct and utilize good roads, keep them in repair, etc., yet most of the opponents of waterway development as a cheaper means of transportation urge the necessity of good roads. This is illogical and short-sighted, because properly supplemented by waterways and coordinated with them these roads are the capillaries which in turn feed the veins (the lesser rivers), and these finally unite in a great artery of water transportation. That is precisely the course of reasoning followed by our ancestors, and we see them supplementing

such roads as they had by the utilization of rivers and the projection of canals. No one can gainsay that they were right or that they were far-sighted. Just suppose the steam engine had not been invented, they would have carried through to completion their very correct ideas, and as the demands for transportation grew (as they would have grown, only more slowly than with the railroads) they would have been compelled to utilize rivers and canals, to make them more and more navigable, until to-day we would have in the United States river and canal systems, in all respects, better than the best of Europe.

Remember that these ancestors of ours came from thickly populated countries where, as far as they knew, waterways had always been utilized to their fullest extent, and they could see no logical reason why they should not be so utilized, inasmuch as they offered to them a cheaper means of transporting commodities in bulk than any other way. And it is interesting to note that the many forts which guarded the country as the empire spread its western way were either on the Lakes or rivers or junctions of rivers, and there sprang up those marvelous cities of Chicago, Pittsburgh, Cincinnati, St. Louis, etc. Trading ports first, their natural advantages for the collection of raw materials and the distribution of the same, led inevitably to their selection as manufacturing centers, where the raw material could be cheaply collected and the manufactured product cheaply distributed.

There is a cycle of transportation leading to saturation, which I shall later discuss, but it is sufficient for the present purposes to observe why all large cities of the United States, with the exception of Indianapolis, are either located on the Lakes or on rivers which at least offer the potentialities of cheap transportation.

When the railroads first came and entered the transportation field, their activities were limited to the transportation of commodities of suitable bulk and weight, and to passenger service, and did no serious damage to waterways. As the design and power of the engines and cars increased, when the people backing the railroads realized their infinite possibilities, then began a growth that was paralleled by a decrease of water transportation in the interior; because of this fact that is primarily the basis of the need and success of railway transportation. The value of interior waterways, per se, was limited by physical obstacles, so that they could only serve the localities directly on the waterway, whereas the railroad could pass through mountains, bridge abysses, and thunder along anywhere, everywhere, driving directly to its destination, and bringing peoples of the same country, almost strangers, into intimate contact with each other and publishing to each the vast possibilities of the different sections that only awaited the touch of this modern Midas to change them into gold.

And as Territory was added to Territory, the necessity of such quick and dependable communication and transportation became vastly enhanced, and the broad steel rails of commerce began to ramify in every direction, and to parallel inland waterways, because therein lay, in many instances, the most economical route for construction. Nor was this expansion accomplished easily; each railroad, so far as I am aware, having passed through reorganiza-

tion after reorganization (the public paying the losses in freight and passenger service), and the Government, countries, communities, etc., aiding in every way by land grants, donations, payments for privileges, etc., until to-day it is stated on unquestioned authority that the land grants to the railroads by the United States alone exceed the area of the thirteen original Colonies. To-day there is invested in railroads of the United States, twenty billions of dollars. In interior waterways, less than one billion, and of this less than a billion a very perceptible percentage has gone for flood control and protection, and not for the improvement of navigation.

RAILROADS CREATED OWN MARKETS

In spite of all the aid that the railroads had, as they pushed their way through sparsely settled communities, ever westward and north and south, the financial burden upon them demanded that they create communities, towns, and cities to furnish them freight enough to pay their expenses of expansion and pioneering, and as unfettered competition sprang up amongst railroads touching the same points by various routes, began that system of rate making which to-day has become so involved and intricate. A certain railroad would induce a certain manufactory to locate at a certain place on its line by offering rates for transportation for that particular product that would enable it to compete successfully in the same market with an established concern located on some other railroad. This manufactory would so locate, and if successful, expand. With each expansion came more people, with their trinity of demands, necessities, comforts, luxuries. So the town or community or city grew and thrived, and furnished more and more traffic to the railroad; but its prosperity, or its success, was built upon special rates which induced the original manufactory to locate there. Now, this rate in itself may seem to have been absolutely without warrant, in that it easily cost more to handle that particular freight than the revenue derived therefrom, but in the ultimate analysis, as seen by the railroad, justified itself. Perhaps Jesuitical, perhaps not, but it can be seen without the aid of a microscope that a multiplication of these instances would lead to outrageous rate cutting, so long as competing railroads were free to so cut, and an uplifting now of these particular rates to a compensatory basis might destroy such particular communities.

SEE BULK FREIGHT ON RIVERS

This utilization of railroads for the benefit of particular communities, however, had in the meantime to be offset by the carriage of freight of a more profitable nature, and the covetous eyes of the railroads were cast upon the tremendous bulk freight carried by the rivers and canals. They were met with equal covetousness by the river communities, which, one by one, sold their God-given birthright for a mess of pottage. In the meantime, the development of our interior waterways and canals was being pushed along with an eye single to the immediate advantage of individuals or waterway communities.

ATTITUDE OF WATER ADVOCATES

They sought the development of such transportation (if indeed a larger majority of those interested thought at all), not particularly for their utilization as carriers, but as a potential menace to the railroads to make them offer cheap transportation, by which they would profit individually. In other words, the pork barrel sprang into existence, whereby the Nation as a whole was taxed for the benefit of a limited portion of it, and against the interests of the vast majority. They played into the hands of the railroads, and fell easy prey to their sophisms, even as many do to-day.

APPRECIATION OF RAILROAD ACCOMPLISHMENTS

It is neither my desire nor my intention to convey the idea in any way that I do not appreciate the necessity of the railroads, that I yield to anyone in my admiration for their effectiveness, of the genius that has opened up a continent and has so materially contributed to our commercial prosperity, or that I advocate in any way additional restrictive regulations upon them. Rather it is my purpose to show that the railroads are not the only ones to blame for the present conditions, but that a larger part of the public first coaxed the railroads to do certain things, and then forced certain uneconomic conditions upon themselves through their conceptions of what the railroads ought to do, and now turn in a fine frenzy and blame the railroads for creating conditions which could have been avoided if some one, big enough to command sufficient support, could have presented to the public, and had accepted by it, a broad scheme of national transportation, which would have included a coordinated water, rail, and good-road system.

HOW RIVER TRAFFIC WAS DESTROYED

How to get this river traffic became the primary object of those railroads with which it was in direct competition. It is not a long story, but it is a fateful one, for they did get the traffic, and caused inland water transportation to become practically extinct. They either put on competing lines of boats and carried the traffic at ruinous rates, or bought out the independent operators, or reduced their own rail rates in competition with water traffic, and offered such inducement to ship by rail that they gradually, but surely, gained control of the situation, and all with the willing acquiescence of the interested public, who were so eager for the transitory advantages they seemed to be getting that they were lulled into a sound sleep from which they only awakened when they saw that their boats had gone, that their rail rates had risen, and that there seemed nothing could be done to save them.

HOW RAILROADS RECOUPED

In the meantime, in order to recoup the railroads for the ruinous rates they were furnishing interested cities, a rate structure grew up throughout the interior, whereby those not fortunately located upon

river banks paid the railroad in increased freight rates for the savings the railroads gave those fortunately located. And not only that, but the practice of the long and short haul rates became gradually fixed, and apparently immutable. This led to the situation, even along navigable streams, where the railroads charged less for a long haul of the same commodity than they did for a short haul.

The practical situation was this, and in many cases it continues to-day: A railroad would haul, say from St. Louis to Vicksburg, via Meridian, on its own line, for less than it charged to haul the same amount of freight from St. Louis to Meridian. The theory on which the railroads based these rates was that a long haul was cheaper than a shorter one, and there may be some justification in such a theory if terminal handlings were eliminated.

Having eliminated inland water-borne traffic, the railroads then turned upon one another, and a series of rate wars ensued, weak lines were bankrupted or absorbed, until the situation resulted, in 1883, in the passage of the interstate commerce act, which act has been amended from time to time and still has very objectionable features to many.

IV

On January 31, 1921, the Hon. Benjamin G. Humphreys, in a speech delivered before the House of Representatives on "How the railroads destroyed competition on our inland waterways—long-and-short-haul clause," arrives at the following conclusion:

That the long-and-short-haul clause of the interstate commerce act, which had been incorporated in the interstate commerce act for the purpose of correcting the practice of the railroads by which freight rates from St. Louis to river competing points had been reduced beyond a point at which steamboats could survive, but whereby all intermediate points and inland points which had no river transportation were compelled to pay a rate sufficiently high to recoup whatever loss they (the railroads) sustained by reasons of these reductions at river competing points (and which was designed to enable the commission to meet exceptional cases) became the rule, and under it the railroads continued their process of strangulation. He argued that the Senate amendment to section 4 of the transportation act, which gave the Interstate Commerce Commission authority in regard to the establishment of certain rates, and specifically exempting them from the power of fixing such rates "on account of merely potential water competition not actually in existence," put a club in the hands of the railroads to absolutely kill private water competition. His purpose was to show that the effect of this amendment was of no benefit to anybody but the railroads, because the railroads are not allowed to fix a charge that is not reasonably compensatory for the service performed, and asks the result. He answers:

SPEECH OF CONGRESSMAN HUMPHREYS

"River points which formerly enjoyed this differential are denied it, but instead of lowering the rates to intermediate points the railroads have simply raised the rates to river points, and nobody is helped in this process except the railroads. It is suggested, however, that the river is still there and that the shippers along the river can, if they have the enterprise, put steamboats

on the river and thereby get the benefit of cheap river rates. If they do this, however, as soon as their boats begin to haul freight from St. Louis to New Orleans or from Memphis to New Orleans or from Vicksburg to New Orleans the competition is no longer "merely potential" but is actual, and the limitation of the act which I have just quoted no longer applies. The railroads can then petition the Interstate Commerce Commission for permission to restore the old differential, the only limitation being that the rate must be "reasonably compensatory for the services performed." Now, what is reasonably compensatory? The Interstate Commerce Commission is not supposed, under any circumstances, to permit a railroad to charge a rate that is higher than a reasonably compensatory rate, and when the commission fixes or approves a rate which the Mobile & Ohio, for instance, can charge for freight from St. Louis through Meridian to Vicksburg they are supposed to have fixed the minimum rate which is reasonably compensatory.

If steamboats were put on the Mississippi River and to meet this competition the Mobile & Ohio is permitted to lower its rate to Vicksburg, then it should in all conscience be required to make a proportionate reduction to all points along that road between Vicksburg and St. Louis, because it is perfectly patent that if the rate from St. Louis through Meridian to Vicksburg is reasonably compensatory certainly a higher rate from St. Louis to Meridian would be unreasonably compensatory and therefore excessive and unjustifiable. But we know that the Interstate Commerce Commission has permitted this very practice, and permitted the railroads, thereby deliberately and in full view of everybody, to strangle all river competition. Now, what happens? There being no actual competition, the railroad is denied the right to give the river points the lower rate. It is then in order, we are told, for the shippers to put in a line of steamboats. Who will invest his money in a steamboat line when the power is left in the hands of the Interstate Commerce Commission to permit the railroads to renew their piratical practice as soon as the steamboat lines begin to do business?

I believe in improving our waterways, and I am going to vote for this bill, but I do it in the hope that some day some man will appear here whose words are more persuasive than mine have been and who will be able to convince Congress of the error of its way. If we do not do this, if we permit the law to stand as it is, the time is not far distant when the people of this country will refuse to sanction further public expenditures upon rivers of our country, because with this sword of Damocles hanging over his head no business man is going to invest his money in a steamboat line, and there will, therefore, never be any actual river competition; and until there is such competition no reduction in railroad rates can come from the expenditure of money for the improvement of our rivers, because the law says, "No such authorization shall be granted on account of merely potential water competition not actually in existence."

Now, gentlemen, if we are going to preserve the rivers of the country, you can not do it by merely making appropriations for them. It is all right to improve the channels, but we must make it possible for the boats to float upon the river after the improvement has been made. That can not be done so long as the Interstate Commerce Commission has the power to grant the privilege to the railroads of strangling competition."

CYCLES OF TRANSPORTATION

Sometime before in this series of articles the fact was mentioned that there is a cycle in transportation which leads to what may be termed "saturation."

This saturation point is reached for any city when the cost of collecting the raw material and distributing the finished product is greater for that particular city than for some other location; and it will inevitably result, as Chicago has reason to know, in the abandonment of particular manufactories in that city, and the establishment of the same manufactory in some other more suitably located community, where the transportation facilities are not saturated; and almost always the new point selected is a city on a navigable stream,

the Lakes the Gulf, or the seacoast. Let us examine this cycle as it has worked out in Pittsburgh. The location of the steel manufactories at that particular point was determined, of course, by the fact that ore, coal, and other articles necessary to the manufacture of steel could be assembled there more cheaply than any place else at that time.

The establishment of the steel industry drew workers, naturally, who wanted the necessities, the comforts, and the luxuries of life. As the industry expanded, more raw material had to be collected, more finished products distributed, more workers and their families came, each of these causes contributing to an ever increasing demand for transportation. This cycle expanded continuously, until to-day the Monongahela River is carrying annually 26,000,000 of tons, and the Pennsylvania Railroad, instead of being hurt, has four times expanded its Monongahela division, which is practically given over to freight handling. What the river took away from the railroads in its handling of bulk commodities, it returned fourfold to the railroads in the creation of demands for supplies and distribution that could not be handled by the river alone.

PRESENT RAIL POLICY

The city now has its own acute problem of near saturation to handle, and it is not alone in that predicament. No wonder it wants the Ohio opened to Cairo and the Mississippi to the Gulf. When it reaches a stage where it costs more and takes longer time to get a car in and out of a city like New York than it does to move it from New York to Philadelphia, the transportation system is pretty well saturated. No one knows this better than the railroads do, and no one knows better than they do that this country has to-day all the main rail arteries it needs, and their tendency is to abandon non-paying branches, to concentrate their efforts in bettering their service instead of building new lines; to group together, under a single head, connecting, parallel, or competing routes, enabling them thereby to gradually build up a new and fair system of rates which will render them a reasonable return, and to abolish as quickly as possible discriminatory rates which they themselves do not desire but which, as we have seen, are part and parcel of their existence.

These conditions being as they are, why has not inland waterway transportation been rejuvenated?

How can it be?

SAFEGUARDS FOR WATER TRANSPORTATION

What safeguards have been thrown around inland water transportation by law that can be utilized to their fullest extent in an effort to rejuvenate it?

They are principally directed toward the end that the inland waterway common carriers shall be protected in their rights to set their own port-to-port rates, and to prevent their absorption and annihilation by the railroads.

Briefly, they are: (*a*) In the interstate commerce act it provides that a common water carrier shall have the untrammeled right to make its own port to port rates when it does not absorb certain

charges, but does provide that the Interstate Commerce Commission shall have jurisdiction when such charges are absorbed.

(*b*) When interchange with railroads subjects the water carrier to the jurisdiction of the Interstate Commerce Commission, that body has specific powers to regulate joint rates and their divisions, and to compel railroads to make physical connections.

(*c*) By the shipping act, 1916, the authority of the Shipping Board over waterway common carriers is limited to a common carrier by water in foreign commerce, or a common carrier by water in interstate commerce on the high seas or the Great Lakes on regular routes from port to port, and inland waterway port-to-port rates are exempted.

(*d*) By the Panama Canal act it is unlawful for any railroad company or other common carrier subject to the act to regulate commerce to own, lease, operate, control, or have any interest whatsoever (by stock ownership or otherwise, either directly, indirectly, through any holding company, or by stockholders or directors in common, or in any other manner) in any common carrier by water operated through the Panama Canal or elsewhere with which said railroad or other carrier aforesaid does or may compete for traffic or any vessel carrying freight or passengers upon said water route or elsewhere with which said railroad or other carrier aforesaid does or may compete for traffic; and in case of the violation of this provision each day in which such violation continues shall be deemed a separate offense.

(*e*) By section 500 of the transportation act, it is declared to be the policy of Congress to promote, encourage, and develop water transportation, service, and facilities in connection with the commerce of the United States, and to foster and preserve in full vigor both rail and water transportation.

(*f*) By Public No. 185, approved June 3, 1924, there was created the Inland Waterways Corporation with certain specific functions to be performed, and this will be discussed in the next article.

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CREATION OF INLAND WATERWAYS CORPORATION

The passage of House bill 8209 and its enactment into law, June 3, 1924, creating the Inland Waterways Corporation owned by the United States, offers the means by which the Government can demonstrate, once and for all, the feasibility and economic value of water transportation, and when such demonstration has been satisfactorily completed, it offers satisfactory means by which there can be reestablished upon our navigable streams and canals private corporations, operating common carriers which will be of mutual benefit to the public and themselves.

ANALYSIS OF NECESSITY OF A CORPORATION

I know of no better means to emphasize what a great stride has been made toward this desirable end than to analyze the bill, to point out how it will correct existing handicaps of governmental operations by the Secretary of War (which, incidentally, would handicap such operations by any department of the Government), and to show the

reasons for the various provisions of the bill and the objects sought to be attained, which I will do when I have discussed the condition that would have resulted if this bill had not passed. The failure to enact this bill into law would have meant such a serious setback to water transportation as to have retarded the development of our rivers for from 25 to 50 years. The Mississippi-Warrior Barge Line, directly under the Secretary of War, is operated as nearly like a private transportation agency as existing laws and regulations will permit. It has had an extremely vicarious existence, but through a persistent continuity of purpose it has been able to forge ahead under the most extremely discouraging circumstances. If this continuity were destroyed, if new men and new methods were to be tried out, the result was bound to be vastly disturbing. What those in charge of these operations in Washington know is the result of experience. We have passed the stage of theorizing. We know what we can do and what can not be done. We have struggled upward till we can see assured success now that our efforts will be allowed to culminate.

HISTORY OF THE ORGANIZATION

Created originally as a war measure to relieve the transportation congestion existing during the war, and operated by the Railroad Administration, when the transportation facilities thus created were turned over to the Secretary of War, and he created the Inland and Coastwise Waterways Service, there was inherited from the Railroad Administration a large number of unexecuted contracts for new boats, a nondescript collection of vessels, operating at a tremendous loss, and rulings of the Railroad Administration in regard to the activities of the barge line, that in my judgment, did incalculable harm. I refer to the regulations and restrictions as to the territory through which the barge line might operate jointly with railroads, the general rules for interchange of commodities with the railroads where joint operations were authorized, and the division of accruing revenue for such joint service. Water transportation was practically nonexistent, as has been shown.

PROBLEMS CONFRONTED

The problem that the Inland and Coastwise Waterways Service set itself to solve was this:

How could water transportation be rejuvenated and made profitable by the Government, bearing in mind the fact that all governmental operation is hedged about by laws and restrictions and decisions of the comptroller to such an extent as to make it practically impossible to operate as a private corporation? (The existing restrictions upon the Department of War were equally restrictive on any other department of the Government.)

What could be done to bring about desired results; that is, the rehabilitation of transportation facilities on navigable rivers and canals, when private operators had been driven out of business?

FACTIONS AND GENERAL APATHY

There was an amazing amount of apathy throughout the country as to whether our waterways were utilized or not. Those who were

at all interested in the subject of the development of rivers and transportation thereon, divided in two factions:

One faction contended that the streams made navigable should be utilized purely for the benefit of port-to-port business, and as a potential menace to the railroads to make them keep down their rates paralleling the rivers. The other faction was bitterly opposed to the development of waterways on the very grounds that the first side advocated it. They claimed that the utilization of our rivers, while resulting in tremendous benefits to the cities along their banks, giving them very low rates in comparison to interior rates, was a detriment to the interior of the country and acted to retard their development; and to place them relatively at a disadvantage to river cities in the same way that the long-and-short-haul clause of the interstate commerce act worked out with reference to coast and interior cities.

I well remember, in the early days of the Secretary of War's administration, what a frigid reception was accorded the suggestion that if all of the people of the United States were to be taxed to make any particular stream navigable and to put transportation facilities upon it, then the benefits of these transportation facilities should be extended to the interior cities as well as to the cities along the banks of the navigable streams.

PRESENT GENERALLY ACCEPTED PRINCIPLES

Now, however, I think I am safe in saying that it is generally accepted by the proponents of waterways that they must rest their case upon three basic principles:

1. That there is not enough transportation in the United States, rail, highway, and waterway, to meet the increasing demands of the commerce of the country, and that to meet the increasing demands of the next 10 years would cost the railroads a billion dollars a year for 10 years.

The history of our commerce shows that transportation demands double approximately every 10 years; and if the railroads alone are to meet these demands. the people themselves must furnish, probably by direct taxation, such as surcharges, increase in freight, etc., this ten billion dollars.

2. That water transportation is the cheapest means of transportation known.

3. That the people as a whole, having been taxed to create navigable waterways, should, as far as practicable, reap the benefit of any low rates inherent in such transportation; that is, the waterways should be so used as to give the greatest possible benefit to the greatest possible number, and the greatest possible amount of the ten billion the railroads would require ought to be saved by the utilization of water transportation already or nearly available.

SYNOPTIC CONCLUSIONS

After four years' experience in the operation of governmental facilities on the Mississippi and the Warrior Rivers, the New York Canal, and the intracoastal sections, I have formed very definite

and decided opinions in regard to such operations. Synoptically, they may be stated as follows:

1. The utilization of our great streams by common carriers is the only fair means of distributing the benefits of cheap water transportation to the very people who have been taxed to create navigable streams and canals.

2. The rehabilitation of common carriers upon our navigable interior waterways can only be accomplished by governmental pioneering.

3. There were various handicaps to the restoration of water transportation in full vigor, by governmental operation, that delayed, restricted, and hampered the accomplishment of the object sought, and such handicaps were avoidable.

I think no one will deny the justice of my first premise.

The second premise is based upon the fact that the creation of the very conditions essential to the revival of the common carrier involve in their creation considerations fraught not only with the possibility but the probability of financial disaster to a private corporation with limited capital—understanding private capital will not consider such a dangerous investment.

CONDITIONS PRECEDENT TO SUCCESS OF A COMMON CARRIER

Broadly, the conditions precedent to success to make it possible for private common carrier transportation lines to exist, may be grouped into five subdivisions. There must be:

1. A suitable navigable waterway.

EQUIPMENT

2. Suitably designed equipment for each particular waterway; and that suitable equipment must be determined by experiment.

That the old water-borne transportation equipment and its methods of operation were obsolete is proven by the fact that it had been driven out of existence. The development of a transportation agency to success must be gradual and healthy. There is bound to be, however, a long period of constructive effort, of financial outlay without return, before such constructive effort results in a remunerative return. The history of all our railroads has been that of ups and downs, and there is too much demand for capital in assured undertakings, too great a demand for quick return upon an investment, for capital to pour itself unstintedly, and for an indefinite period, into an undertaking so perilous as the rehabilitation of a form of transportation that competition had utterly destroyed.

It was fortunate, indeed, for the revival of water-borne commerce that the demands of war brought into being the present magnificent fleets operated by this corporation, and that the law required their operation, because, aside from the other fundamentals of success that experience has brought forward in their proper perspective, while it might have been physically possible to have obtained sufficient funds to inaugurate a service of local importance only, a service whereby the public could be very widely benefited could not possibly have been developed. Financial disaster faced it from the start.

Indeed, the schemes of the original proponents of the revival of water-borne transportation on the Mississippi were so strictly limited in their application that their proposed line was not to be even a common carrier, but a contract carrier, and the freight to be carried was to originate in or be destined to river ports or their immediate vicinity. It would have led to active competition and the destruction of water transportion by its active and determined competitors and the consequent delay of the revival of such commerce for another half century. But it is an entirely different thing to drive an independent corporation, with limited capital, out of business, and to fight against the expressed policy of Congress that water-borne commerce must be revived (when this policy is supported by congressional appropriation) in order that the people may be given a chance to find out whether or not the hundreds of millions of dollars spent in making waterways navigable is a success or a colossal blunder.

No private corporation could have stood up under the determined effort that would have been made to destroy it. The large initial outlay of funds, the years of loss, the lack of intelligent interest in what was being sought for, and the pregnant delays in the matter of adjudicating differences between rail and water carriers could only have been financed by Congress and only have become successful because backed by all its vast powers.

In speaking of the magnificent fleets in the preceding paragraph, the term must be used comparatively. The six tunnel-type, twin-screw, oil-burning towboats of the *Natchez* type were and are far superior to any other type ever put on our rivers, but they were theoretically designed and had to be altered practically to meet the conditions of actual service. Originally designed to draw 7 feet, the design was changed to allow a draft of 7 feet 6 inches, and when finally accepted they drew 8 feet 3 inches. As the channel project from St. Louis to Cairo is only 8 feet, and from Cairo to New Orleans only 9 feet, it is not to be wondered at that during low stages navigation is sometimes impracticable. A clearance of 18 inches is, in my judgment, necessary for the development of the highest horsepower and the most economical operation.

The four towboats designed for the upper river were stern wheelers and are not so flexible as the type used on the lower river. They were also coal burners and had to be converted to oil burners. The barges on the lower river draw 8 feet when loaded to 2,000 tons, and the upper-river barges carry 3,000 tons with about the same draft.

The lower-river barges are square ends, the upper spoon ends. The lower-river barges (40) were designed primarily for bulk freight and have had to be modified greatly by "'tween-decks" to carry all kinds of merchandise. The upper-river barges were also designed to carry oil.

A combination of the types is probably the ideal barge, while the modern towboat would be diessel direct or electric drive, about 200 feet long by 40-odd wide, twin or multnple screw, tunnel type, drawing from 4 feet 6 inches to 5 feet 3 inches, with a brake horsepower of not less than 1,500.

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TERMINALS

3. There must be suitable terminals and balanced freight both ways.

There was, and still is to an appreciable extent, an argument as to what constitutes a suitable terminal. Suffice to say that suitable terminals depend upon very widely different conditions. In general, they may be classified into three types—the direct lift, the conveyor type, and the floating terminal with incline.

While in our judgment the most suitable type for the Mississippi is the floating terminal with a railroad incline, such a terminal would be out of place on the Hudson.

The kind of terminal to be built depends upon the character of the stream, the commodities to be principally handled, whether or not there is to be interchange with the railroads, and various and sundry other local considerations.

BALANCED FREIGHT

By a balanced traffic is meant not only freight both ways but freight both ways of both high and low revenue production, and that kind of freight is only going to be procured when there has been built up a dependable, economical, and durable service. The distinction made between dependable and durable is that to constitute dependability there must be scheduled sailings on which reliance may be placed and advantage taken of, while by durable is conveyed the idea of permanency.

With this additional element of necessity to successful operation of water-borne transportation enters another deterrent element to unadventurous capital. It means a continuous and discouraging outlay of funds for an indefinite period until the public can be convinced that the service offered is economical, dependable, and durable.

INTERCHANGE WITH OTHER CARRIERS

4. The next essential condition to success is interchange of freight with the railroads. Without such condition being fulfilled the only freight that can be handled is local production; that is, the produce of the cities situate upon the navigable stream or the intermediate vicinity. Certainly it is unfair discrimination to tax the public at large for the benefit of an inconsiderable portion of the population fortunately located. If the public at large is to be benefited by the revival of water-borne commerce on our interior rivers and canals, then their consignments or assignments of freight must reflect some savings due to the use of such rivers or canals. And to reach any of the public to-day not on these navigable waters and to let them reap the benefits of cheaper transportation recourse must be had to railways or highways, and the commerce must of necessity be both rail and water-borne. This corporation carries freight into and out of 36 different States, and does it at 80 per cent of the all-rail rate.

It offers every shipper in the United States a rate whereby he can market or receive his products at a saving of at least 20 cents on every dollar of freight charges.

OBSTACLES TO PRIVATE OPERATION AS A COMMON CARRIER

To compel the railroads to enter into interchange relations with them, the water carrier would at once become, willy-nilly, a common carrier, and at the mercy of its rail connections in the matter of the division of revenue accruing from joint hauls. The railroads could and would have said in effect, "You will take what share of the proceeds we voluntarily give you, or we won't interchange."

As the railroads could not own competing waterway facilities, and as at that time the ostensible object of waterway proponents was to create a potential menace of cheaper transportation, the railroads could very properly take this attitude, and in addition say, which was a fact, "Very well, the rates paralleling the Mississippi River are very much lower than the rates for the same distance for the same commodities in the interior. If you insist upon taking that haul away from us, we must, to protect our stock and bond holders, insist that we get some tangible return for hauling something to you over our lines and giving it to you, thus taking the long haul away from ourselves. We can only give you these reduced rates when we have the entire haul. Such local preferential rates as you enjoy are, of themselves, unjustifiable."

The share of revenue that the water carrier might have been compelled to accept under this condition could have been so low as to be very unprofitable; and it would not have been a difficult matter to flood the private corporation with undesirable freight that it would have to carry because of its published schedules, to the exclusion of other freight more profitable but not of sufficient importance in itself to justify the maintenance of the line.

Now this condition, to some extent, befell the governmental operations, and led to the enunciation of the final postulate for success; that is—

EQUITABLE DIVISION OF REVENUE

5. There must be an equitable division of revenue accruing to both water and rail transportation for a combined haul.

Fortunately there exists in law a tribunal with effective powers for compelling such a division, the Interstate Commerce Commission.

The Inland Waterways Corporation has interchange relations with approximately 165 railroads in the United States. These railroads divide their joint revenue between each other in various ways, depending upon a multitude of conditions.

An attempt was made in briefs submitted and argued before the Interstate Commerce Commission to enunciate certain principles of general application upon which the commission could base an order to the railroads to give an equitable proportion of the revenue jointly earned by a combined rail and water movement to the water carrier. It required from October, 1920, to April, 1923, to get any decision from the Interstate Commerce Commission, and, considering the

principles involved, the vast amount of data considered, the errors that crept in, the number of defendants cited who had to prepare their answers, this delay is subject to no criticism.

The last case presented was decided in four months, and was of vast importance to all waterways.

Let us examine the final condition precedent to success—that is, an equitable division of joint revenue earned by the rail and water carriers for a combined service performed—and see its importance.

A great import for the Birmingham steel industries through Mobile is manganese ore. It is a commodity especially adapted for water transportation—great bulk and weight.

The Government built a coal and ore handling plant at Mobile at a cost of approximately one-half million dollars for handling these commodities. The rail rate on this ore from Mobile to Birmingham was about $3.15 per ton. The barge rate was 80 per cent of that. Shortly after the ore operations on the Warrior began the rail lines reduced their rate to $2 per ton. The water rate dropped to equal that, too lean a revenue for even water transportation. It can easily be demonstrated that $2 per ton, or 0.65 mill per ton mile, does not pay for rail carriage, and the ore must be hauled at less than the cost of operations. Why? To discourage the continuance of the Government barge line and to deter private capital from embarking on a similar enterprise.

The railroads have twice reduced the rate on bauxite ore from New Orleans to St. Louis since the Aluminum Ore Co. entered into negotiations for the transfer of enormous quantities via the barge line. Either their first rate was too high or their present rate is too low and put in to hurt the barge line or discourage private capital from competition.

INTERSTATE COMMERCE COMMISSION

These rates must have the approval of the Interstate Commerce Commission or they are illegal. If that branch of Government is unable to curb such opposition to a governmental agency, what chance would private operation have against united railroad opposition? (See Congressman Humphreys' speech, Actual and Potential Competition.)

Now, the Interstate Commerce Commission has the power to compel equitable divisions between rail and water carriers and between allied rail carriers, but the difficulty of determining what is an equitable division is immense.

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In April, 1923, the commission answered a brief of the Government practically as follows:

> There are too many conflicting interests to render it possible for this commission to render a blanket decision as requested. We enunciate certain principles which we desire to be followed in negotiations between water and rail carriers. If, in the negotiations such as we recommend, you reach a breaking point with an individual railroad, such case may be resubmitted and a decision rendered.

This decision, while helpful in the extreme to the Government as giving it authority to negotiate separately with the railroads, would

form a most imposing obstacle to any private organization. It serves notice on the railroads that so long as governmental operations continue, so long as Congress appropriates money to prove the practicability of water transportation, to create the conditions precedent to success, so long must the rail and water routes approach the subject in a proper spirit of cooperation and coordination and not of hostile competition.

It creates just the reverse situation so far as private operations of waterways is considered.

By the pursuit of tactics formerly successfully employed, this decision gives railroads the whip hand over private water enterprise.

CONDITIONS TO BE FACED

These are conditions which must be faced. If it is impossible for joint rail and water carriers, cooperating, to give cheaper transportation than all-rail with a division of earnings affording each a living revenue, then water transportation must fail. So the question of what is a living revenue for each to exist is the vital question to be determined; and so long as railroads would have the upper hand in a fight with a private transportation agency, it would seem to be a wise thing for the Government to do to so organize and use its existing facilities as to determine this question accurately. Once it has been accurately determined that such combined transportation facilities can carry freight more cheaply, and at a reasonable profit to each, once the conditions have been established upon a particular river, then Congress may, if it so desires, direct the sale of such existing facility under such restrictions as are desirable, and the purchase price so received may be used in the creation of similar conditions upon other rivers; and as each section demonstrates its desirability for the investment of private capital, such section may be sold. It would only be a matter of time till these successful transportation agencies would have established enough of the essential conditions to success, through law and Interstate Commerce Commission decisions, to offer private capital opportunities for original investment, and the Government could then either cease its operations or limit them to particularly difficult operations, where pioneering needs still might exist.

AVOIDABLE HANDICAPS OF GOVERNMENTAL OPERATION

Let us examine what the avoidable handicaps of governmental operation were, and see how necessary the creation of this corporation was to the success of the project:

(*a*) The lack of certainty on the part of the shipping public as to whether governmental operation might not be suddenly abandoned altogether, or that the transportation facilities might be disposed of to interests hostile to waterways; either of which contingencies has a marked effect on the decision of a shipper who desires economical, dependable, and permanent service.

(*b*) The fact that all appropriations made by Congress for the old waterways service, under existing laws were for periods of one fiscal year only, and the money appropriated could be used only in that fiscal year, for the exact purpose specified; and there was no assur-

ance that each succeeding Congress would appropriate money. No well-developed plan of expansion or definite policy could be announced that would insure the public of a dependable and durable service; and further, in addition to various statutes bearing on the expenditure of such public money, the Comptroller General of the Treasury, not the Secretary of War, the mandatory of Congress, was the final judge as to the legality of such expenditure; and the orders of the Secretary of War might be absolutely vitiated by any of the comptroller's decisions, regardless of the necessity of such expenditure for the purpose of carrying out the mandate of Congress. Surely the Secretary of War, the mandatory of Congress, charged with the continued operation of the transportation facilities turned over to him ought to have the unhampered power to do what he is directed by Congress to do, in his own way, and not questioned in the execution of a general policy over the expenditure of the necessary money to accomplish it.

(*c*) Its inability to finance itself in periods of depression, thus necessitating an appeal to Congress for funds, opening the floodgates of criticism, with the resultant agitation as to whether or not Congress would, through failure to appropriate, cause the cessation of an operation that is economically sound, the destruction of a solvent transportation agency, the failure of a successful waterway demonstration, because of the law against a Government agency creating a deficit; and under the limits set by such conditions the line was incapable of expansion unless there was a further extension of governmental ownership.

PURPOSE OF PRESENT LAW

The stated purpose of the bill is—

> That for the purpose of carrying on the operations of the Government-owned inland, canal, and coastwise waterways system to the point where the system can be transferred to private operations to the best advantage of the Government, of carrying out the mandates of Congress prescribed in section 201 of the transportation act, 1920, as amended, and of carrying out the policy enunciated by Congress in the first paragraph of section 500 of such act, there is created a corporation to be known as the Inland Waterways Corporation—

which corporation is to be governed and directed by the Secretary of War.

BEST INTERESTS OF THE GOVERNMENT

What are the best interests of the Government, and when can the operations be transferred to private corporations with the best advantage of the Government?

One of the common objections that has been raised to this project for the reestablishment of transportation facilities on waterways by the Government has been formulated in about this manner, and usually as if it were unanswerable: "Ah, I see! What you design to do is to let the Government bear all the losses, and as soon as you have developed a paying institution you intend to turn it over to private interests."

Now, that is not a fact. Its application to the subject under consideration; that is, the rehabilitation of transportation facilities on inland waterways, is based on wrong premises, and ignorance of the exact but changing status of the facilities under consideration.

FIGURES VS. PROPAGANDA

Those facilities which exist to-day came into being as a war measure. They represented in round numbers, on July 1, 1921, $13,000,000, invested at war-time prices. If these facilities had been disposed of on the basis of other similar equipment created for war-time purposes, a realization of 5 cents on the dollar would have been more than the average, and the Government could possibly have obtained $650,000 by a sale, the fleet would have been broken up, and waterway commerce on the Mississippi and Warrior Rivers destroyed.

During the succeeding fiscal years, including all appropriations made for 1922, 1923, and 1924 (fiscal year 1922 begins July 1, 1921, etc.), there was appropriated by Congress the total sum of $2,084,-650; so that if we add this to the $650,000, which might have been realized by a postwar sale, the total peace investment of the Government in this project is $2,734,650.

The total appraised value of the physical assets of this corporation, as a going concern (exclusive of any value for good will, which usually is valued at 10 per cent), is almost $10,000,000. This valuation was made by the American Appraisal Co. of Milwaukee.

In other words, reduced to mere figures, the Government has, by holding on, enhanced the value of its investment $7,625,350. Therefore, the best interests of the Government can be conserved by carrying on the operations until they are so successful as to net a 6 per cent return on the present-day valuation, and then disposing of the facilities as a going concern to private capital for a price based on a 6 per cent return on the investment.

WHY GOVERNMENTAL OPERATION?

And the Government can well afford to do this, because several objects are gained:

1. It will salvage seven millions that otherwise would have been written off as a war loss.

2. The barge line will carry in round numbers, with its present facilities, a million tons a year, at a saving to the public of $1,350,-000. If the fleet were balanced, it could carry 2,000,000 tons a year.

3. By expanding the facilities to meet the growing needs of transportation, the corporation will establish itself upon a paying basis, and return revenue to the Treasury instead of taking it out, and its value will be increased by just so much more additional capital as may be invested therein.

4. It will demonstrate beyond question that water transportation is feasible and economical and that when certain conditions are established it offers a profitable investment for capital; and capital will freely invest.

VIII

RESULTS OF CORPORATION OPERATIONS

(Corporation organized June 3, 1924)

I insert here what the corporation is actually doing on the Mississippi River, so that my readers may not be led astray by any unauthorized figures. There is also inserted a report to the Director of the Budget.

Inland Waterways Corporation—Mississippi-Warrior Service, Mississippi Division—Statement of income for the calendar year 1924 and the months of January and February, 1925, and estimate for March, 1925.

	Tonnage handled	Total revenue	Total expenses, including depreciation	Net income	Depreciation	Net income exclusive of depreciation
1924						
January	82,179	$261,119.61	$256,597.06	$4,522.55	$26,397.58	$30,920.13
February	80,229	251,422.29	238,190.83	13,231.46	26,438.02	39,669.48
March	74,117	258,824.67	256,533.32	2,291.35	27,210.70	29,502.05
April	81,528	315,322.44	305,751.50	9,570.94	28,230.89	37,801.83
May	69,916	288,653.34	376,494.32	[1] 87,840.98	29,010.58	[1] 58,830.40
June	82,565	332,972.40	289,172.03	43,800.37	20,909.28	64,709.65
July	70,387	285,155.13	276,688.80	8,466.33	21,190.81	29,657.14
August	76,609	284,806.54	275,716.53	9,090.01	21,659.76	30,749.77
September	80,537	278,378.23	252,694.35	25,683.88	21,514.84	47,198.72
October	57,604	199,097.04	236,995.27	[1] 37,898.23	21,413.39	[1] 16,484.84
November	39,603	152,047.92	238,051.60	[1] 86,003.68	20,940.76	[1] 65,062.92
December	54,229	189,548.72	220,522.69	[1] 30,973.97	20,866.16	[1] 10,107.81
Total calendar year 1924	849,503	3,097,348.33	3,223,408.30	[1] 126,059.97	285,782.77	159,722.80
1925						
January	81,087	249,457.91	233,538.17	15,919.74	20,811.46	36,731.20
February	95,907	292,362.19	231,109.73	61,252.46	20,811.46	82,063.92
March [2]	88,000	270,000.00	235,000.00	35,000.00	20,811.46	55,811.46

[1] Loss. [2] March figures estimated.

There was taken in by the corporation during January, February, and March the sum of $149,577.85 in excess of operating expenses requiring expenditure of funds.

Of this amount there was set aside—

For depreciation	$80,057.15
Reserve for future repairs (surplus)	21,928.23
Net profits	47,592.47

Figures for March, 1925, are estimates based on reports from New Orleans office, and are very conservative. Actual results for February exceeded estimated profits by approximately $12,500.

Loss in May, 1924, partly due to adjustment in transferring the accounts to the Inland Waterways Corporation and largely applicable to prior periods.

Losses in October, November. and December due to low stage of river and floating ice, which seriously delayed deliveries in these months. This happens every year due to the fact that the towboats built by the Railroad Administration draw 8 feet 3 inches and are unable to navigate during low water. This corporation will remedy that by building two of the most modern light-draft towboats, with Diesel engines, and designed to correct all errors in the previous boats.

APRIL 14, 1925.

The DIRECTOR OF THE BUDGET,
Washington, D. C.

MY DEAR GENERAL LORD: In compliance with your telephonic request to furnish you a complete statement of what the Inland Waterways Corporation is doing, the following is submitted:

The current liabilities of the Inland Waterways Corporation at its organization June 1, 1924, exceeded its current assets by $588,114.67.

The current assets of the corporation as of April 1, 1925, exceed the current liabilities by $235,426.21.

New money has been added to the business since the incorporation, as follows:

Capital stock issued	$1,500,000.00
Appropriations used	103,276.14
Collections on loans and notes receivable	28,610.15
Operating profit of Mississippi-Warrior service, after deducting accruals for depreciation and future repairs, which required no funds	31,322.02
Total new money	1,663,208.31

This was partially expended as follows:

To cover net liabilities assumed by the corporation June 1, 1924	$588,114.67	
Property and equipment	810,383.44	
Expenses of Washington office	29,283.99	
Total expenditures from new money obtained		1,427,782.10
Working capital on hand April 1, 1925		235,426.21

Since April 1 we have received a remittance from the New Orleans office of $106,000. That office is allowed $200,000 working funds, which is circulating capital used in conducting the service, and represents current assets in excess of liabilities. By the use of this fund in making prompt payments and getting discounts we saved, since November 1, 1924, the sum of $3,132.

The Washington office has on deposit—

United States Treasury	$35,450
Riggs National Bank (checking account, drawing 2 per cent)	65,000
Riggs National Bank (savings account, drawing 3 per cent)	106,000
	206,450

We have carried in this period 912,082 tons of miscellaneous cargo, with a total revenue of $2,870,383.86.

We figure a saving to the public of $1.30 per ton on 726,528 (the Mississippi section), which is $944,486.40, and a saving of 30 cents per ton (the Warrior section), on 185,554, which is $55,666.20, or a total of $1,000,152.60.

Very respectfully,

T. Q. Ashburn,
Brigadier General United States Army,
Chairman and Executive.

Note.—These figures include not only the Mississippi division, but also the Warrior division and the expenses of the Washington office.

Lest there be any of my readers who misapprehend these figures, attention is invited to the fact that they first include depreciation, and then deduct it, in order to arirve at a net "out of pocket" loss. This is entirely equitable, and you may take either set you desire, but please bear in mind that the "maintenance, repair, and new equipment" figures (included in the gross expenses) are very much greater than the depreciation, and that the fleet is daily enhancing in value, not depreciating. (See table, p. 25.)

MANDATES OF THE LAW

Now, if the problem were only to continue the present operations until such time as the Government could dispose of its holdings at a figure approximating the value of its investment, I think it is reasonably safe to predict that such a consummation could be attained within a period of five years; but note that this bill contains another mandate; that is, it not only becomes the duty of the Secretary of War to foster and preserve in full vigor both rail and water transportation but he is required to promote, encourage, and develop water transportation, and there is no limitation as to how he should do it.

CONDITIONS VARY ON EACH RIVER

In all my published reports, articles, and speeches, the fact has been emphasized that it is necessary to create certain conditions upon interior waterways before successful common-carrier operation can follow; and, also, that when these conditions are created

upon one navigable waterway they are not created upon any other waterways in their entirety.

Speaking before the Interstate and Foreign Commerce Committee of the House of Representatives on this subject, I said:

> These four years of experimentation (on the Mississippi and Warrior) have not been lost. Any cost to the Government has been more than repaid by the freight savings accruing to the public. But because the conditions essential to success have been created upon the lower Mississippi, does not mean that these conditions have been created upon the upper Mississippi, the Ohio, or the Missouri. But what you have done is this: You have determined that there are certain essential conditions to success; you know what these conditions are, and you know how to go about it to put barge lines on these rivers and to make them a success.

Now, it is highly improbable that either the Ohio, the Missouri, or the upper Mississippi will be put in a condition to handle such tows as experience has found to be profitable on the lower Mississippi for at least five years. But this Inland Waterways Corporation can, and will, encourage private operations upon the streams mentioned, and all others, by aiding such private operators to create the conditions necessary for success as a common carrier. And common carriers must exist if the public at large is to get the benefit of cheap water transportation.

THE VALUE OF THE CORPORATION

In five years much may happen. New types of boats designed for use upon shallow streams may prove feasible and profitable; and every stream emptying into the great national artery of the Mississippi proper may become a feeder to the great barge line, increasing its value, necessitating increases in its capacity, and extending its benefits to the very door of the producer. And when these benefits have been extended to the producer, the consumer will likewise profit by reduced prices of manufactured products.

And every day the Inland Waterways Corporation will be extending in its scope, through legal interpretations, decisions of the Interstate Commerce Commission, and precedents regarding fair divisions of revenue for joint rail-water traffic, the principle that there must be a living revenue given to each particular carrier in joint rail and water hauls; and the vaster more important principle to the public and private operators, that coordination of effort, cooperation between water, rail, and highway facilities not only results in cheaper transportation for the public, but creates demands for transportation that result in greater and continually increasing revenues to all forms of transportation. Fortunately there can be no more war to the death between rail and water carriers, once the water carrier is reestablished. Many of the conditions that allowed rail interests to destroy water transportation no longer exist, and it will be the business of the Inland Waterways Corporation to destroy such conditions as still remain. And, backed by the United States, it can do it.

CHANGE IN SENTIMENT

Unprejudiced railroad men, especially several very powerful offcials whom I know personally, realize the changed conditions, accept them, and throw the weight of their vast influence toward

cooperation, with powerful effect. He who runs may read a vast change in the sentiment regarding water and rail cooperation within the past two years; but, nevertheless, while war to the death is no longer possible between established rail and water carriers, the conditions precedent to the successful reestablishment of common carriers upon our inland waterways are still so difficult of creation as to require the backing of the United States Government.

POWERS OF THE CORPORATION

The act authorized to be appropriated $5,000,000 to purchase stock in the corporation, all of which is subscribed for by the United States; and which can be obtained in such sums as desired from time to time. In other words, it removes the restriction accompanying an ordinary appropriation, that it must be utilized in the fiscal year for which appropriated, or return to the Treasury of the United States. It thus becomes a continuing fund.

The corporation, "in addition to the powers specifically granted, shall have such powers as may be necessary or incidental to fulfill the purpose of its creation."

The result of this is that the corporation is the judge of how its money shall be spent, and such expenditures are not subject to restrictive laws or technical regulations established by the Comptroller General, who, before the passage of the act, had the absolute power of approval or disapproval of any and all expenditures made by this corporation, even with the approval of the Secretary of War, from appropriated funds.

The bill thus accomplishes the purpose, as Congressman Denison said in his report, "of getting away from the limitations of bureaucratic regulations by which the Secretary of War is hedged." Three million dollars was made immediately available by this present Congress.

UPPER MISSISSIPPI RIVER

By the transportation act of 1920, it was only under the contingency that the so-called "Goltra Fleet" (designed for operation on the upper Mississippi) should be returned to the United States, that operations could be undertaken on the upper Mississippi. This act provides a mandate that the corporation shall "as soon as there is an improved channel sufficient to permit the same, initiate the water carriage heretofore authorized by law upon the Mississippi River above St. Louis." There is nothing indefinite about that.

CONTINUITY OF OPERATION

No facilities shall be discontinued until authorized by Congress. The same provision occurs in the transportation act, where the Secretary of War is required to operate in such a manner as to continue the facilities turned over to his control; but it is a definite reiteration of the determination of Congress to give this corporation a fair show to make a success by the announcement that its service will be durable and dependable.

NEW LINES

"If the Secretary of War deems it advisable to develop and operate new lines, in order to give the public the proper service, he shall report thereon to Congress."

IX

ORGANIZATION

Now the act provides a board of advisors, none of whom shall receive any salary or be directly interested in any railroad. The testimony advanced before the committee showed, to quote their report, "There are many very able and successful business men throughout the entire Mississippi and Ohio and Warrior valleys whose services could not be purchased at any salary, who are perfectly willing to serve on the advisory board of this corporation in order to give to the Secretary of War the benefit of their experience and their business judgment in connection with the operations of the barge line; and the development of new lines." This board "shall consider matters submitted to it by the Secretary of War, and make recommendations thereon, and from time to time advise him and make recommendations, in respect to the management and operation of existing facilites or the development and operation of new lines." So there is very close cooperation between the Secretary of War and the board of advisors; and I believe that when the board and the Secretary are a unit in their recommendations to Congress, that body must surely accept their combined judgment if they say for example, "The time has come to initiate a barge line, a common carrier, on the Ohio, or on the Missouri," or whatever it might be.

The localities and communities represented by this board will feel that their local interests are being protected at the same time that the great national project is being pushed to completion. Of necessity the board, which meets only on call of the Secretary of War, must have a chairman who is the continuing executive representative of the Secretary of War. The necessity of this is perfectly obvious. There will be no sudden changes of policy or throwing a monkey wrench in the buzz saw of a well-oiled machine.

A continuing policy is necessary to the success of any business organization, and there must be some executive agent to see that such a policy is carried out.

In addition to the $5,000,000 authorized to be appropriated, the act also provides for about $1,500,000 additional capital from various sources and gives the corporation the right to borrow money. This latter provision is of immense importance.

THE POLICY PRESENTED TO CONGRESS

The Secretary of War wisely presented to Congress a concrete program which they could accept or reject. It had before them all information regarding the following points:

(*a*) The inherent difficulties of governmental operation.

(*b*) The necessity of governmental operation as a pioneer demonstrator.

(*c*) The necessity of Congress providing some means which will allow the Secretary of War, its mandatory, to do the things he would ordinarily do as the head of a great private transportation agency.

(*d*) The necessity of providing the Secretary of War with sufficient capital to overcome the conditions which militate against the success of the governmental demonstration.

CONGRESSIONAL ACTION

And I think that Congress in passing this bill did do precisely the things essential to be done in the creation of a corporation controlled by the Secretary of War; by investing him with the necessary powers and funds to demonstrate successfully not only the inherent possibilities of cheap, profitable, and dependable transportation by water, not only that savings will accrue to the public, not only that our policy of improving our internal waterways is a good policy, but that this demonstration will soon result in the utilization of our navigable streams by private capital operating common-carrier facilities; thus freely offering to all population, rich and poor, the benefits to be derived from cheaper transportation.

COOPERATION NECESSARY

In order to hasten the creation of successful common carriers upon our navigable streams, there must be, on the one hand, an abandonment of the attitude that the development of our waterways for navigation is purely for the purpose of reducing rail rates by actual, or potential, competition. On the other hand there must be an abandonment of the policy of active destruction of water carriers by railways, which may take one of many forms, but which seems to have centralized in a battering-ram against the fundamental principle that water transportation is inherently cheaper than any other form.

MANIPULATED FIGURES

Because water transportation has not come back over night, because the essential condtions for its rehabilitation have not yet been completely developed, regardless of the fact that with the exception of two and a half million dollars (or 2 mills per capita, appropriated in three years), all the money invested by the United States in this demonstration was money spent as a war measure, and as such should be wiped off as any other war expenditure, I have seen it stated that it actually costs the Government $2.68 net, a ton, to carry anything on the Mississippi; and $4.18 a ton net, on the Warrior. As the total amount of money spent on the operations of the Mississippi-Warrior since its inception in 1918 is only a little over $3,000,000 more than it took in—and this includes war operations—and as, during that time, the service has carried a little over four and a half million tons at a conservative freight saving of $6.000,000, I can not get these figures our opponents claim it costs. Nevertheless, it is good propaganda against us, because few people know the facts, or care to investigate.

THE TRUTH

And be not misled by figures that are manipulated to show tremendous losses. Examine the official table printed above. The results speak for themselves. Nine months of every year, when the channel is there, the line pays well, and all that is necessary to make it pay 12 months of the year is two light-draft towboats, which this corporation will construct, and additional barges. If the equipment were there this barge line could treble its total yearly carriage and cut its cost per ton accordingly. If it only had one-half its present equipment, and had only carried one-half as much, the figures issued as propaganda against waterway transportation would be doubled.

We will merely touch upon the Warrior to say that the losses thereon have been reduced from $50,000 a month to $8,000 a month, and we seem in a fair way to put the Warrior system on a paying basis soon.

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